

# **MICHIGAN STUDENTS FIRST**

## **FREQUENTLY ASKED QUESTIONS**

### **1. What is the Michigan Students First program?**

Michigan Students First is a borrower benefit program offered by the Michigan Higher Education Student Loan Authority (MHESLA) for Federal Stafford (subsidized and unsubsidized) and PLUS Loans first disbursed on or after January 1, 2003. Federal Stafford and PLUS Loans are educational loans included in the Federal Family Education Loan Program (FFELP). Michigan Students First assists students and parents receiving Federal Stafford and PLUS Loans by reducing the cost of borrowing.

### **2. What is MHESLA?**

MHESLA is a state agency that participates as a lender and secondary market in the FFELP. As a lender, MHESLA offers Federal Stafford and PLUS Loans for attendance at schools that are eligible for FFELP. MHESLA's secondary market purchases FFELP loans made by financial institutions. This assists financial institutions by replenishing their funds for future student loans.

### **3. Can I attend any school and still participate in Michigan Students First?**

You can attend any school that participates in FFELP. Contact the financial aid office of your school to determine if they participate.

### **4. Can anyone participate in Michigan Students First?**

Michigan Students First is available to all Michigan residents and to out-of-state students that are attending Michigan schools. Michigan residents are eligible to participate regardless of whether the school of attendance is in Michigan or elsewhere. Schools must be FFELP participants.

### **5. How can I participate in the Michigan Students First program?**

You must receive your Federal Stafford or PLUS Loan from a lender that sells its FFELP loans to MHESLA's State Secondary Market or from MHESLA directly, and meet the school and borrower criteria already mentioned. Eligible loans are automatically entered into the program when acquired or originated by MHESLA, and a notification introducing the Michigan Students First program is sent to the borrower. Please contact our office at 517/373-3662 or toll free at 888-643-7521 to request a list of the lenders that participate with MHESLA's State Secondary Market.

**6. I already have multiple loans on a FFELP Master Promissory Note. Do I need a separate Master Promissory Note for my FFELP loans that qualify for Michigan Students First?**

No. The promissory note has no bearing on the Michigan Students First program. Federal Stafford or PLUS Loans must individually meet the Michigan Students First criteria to be eligible and are tracked individually by the servicing system.

**7. What are the “borrower benefits”?**

Michigan Students First has two borrower benefits – (1) reimbursement of the three-percent federal loan origination fee, and (2) after 36 months of on-time payments, a reduction in the loan’s interest rate to zero percent.

**8. Does MHESLA have other borrower benefit programs?**

MHESLA has one other borrower benefit program – Electronic Payment Savings (EPS). EPS reduces the interest rate on your loan by one-quarter of one percent (.25%) if you agree to have your loan payment automatically deducted each month from your checking or savings account.

Borrowers with loans eligible for Michigan Students First can sign up for EPS and take advantage of the .25% interest rate reduction while making their first 36 months of on-time payments. After the interest rate on the loan has been reduced to zero percent, EPS still provides the convenience of automatic payments. To sign up for EPS, contact your MHESLA student loan servicer.

**9. What is the loan origination fee?**

The loan origination fee is a federal fee equal to three percent of the loan amount, and is deducted proportionally from each loan disbursement. For example, if you have a \$10,000 loan, a three-percent loan origination fee of \$300 would be deducted before the loan is disbursed. You would receive \$9,700. The lender collects the loan origination fee on behalf of the U.S. Department of Education.

**10. How and when is the loan origination fee reimbursed?**

Approximately 90 days after your loan is fully disbursed, the principal balance of the loan is credited (reduced) by the amount of the origination fee. You will be notified when this occurs.

**11. How do I receive the zero percent interest rate?**

When the loan enters repayment, you must make the first 36 months of payments on time. After the 36<sup>th</sup> month of on-time payments, the interest rate on your loan will automatically be

reduced to zero percent. To maintain the zero percent, you must continue to make your loan payments on time.

**12. Does it matter what type of repayment schedule I choose?**

No. The repayment schedule you choose (standard, graduated, income-sensitive or extended) does not affect the Michigan Students First program.

**13. Can I qualify faster for the zero percent interest by making more than one payment per month?**

No. The zero percent interest is not available until you have made on-time payments for 36 months. This borrower benefit is based on the number of months that on-time payments have been made--not on the number of payments that were made. Making more than one payment per month will not allow you to receive the zero percent interest sooner. However, it will reduce the principal amount of your loan sooner and, therefore, reduce the total amount of interest you will pay.

**14. If I make payments while in school, during the grace period, or during a period of forbearance or deferment, will the payments count toward the 36 months of on-time payments?**

No. Only payments received after your loan has entered repayment and while it is in an active repayment status are counted toward the 36 months of on-time payments. Stafford loans do not enter repayment until the in-school and grace periods have passed. PLUS loans enter repayment immediately after being fully disbursed, there is no grace period. During periods of deferment and forbearance, regular monthly payments are not required. You can request to waive (cancel) your grace period, which will put your loan into repayment sooner.

**15. What happens if a payment is not made on time?**

During the 36 months of on-time payments

The loan will no longer qualify for the Michigan Students First program. However, if you receive a deferment or forbearance that covers the delinquent period, the loan will again qualify for Michigan Students First.

After the interest rate is reduced to zero percent

The loan will no longer be eligible for the reduced interest rate. The interest rate will be raised to the current statutory rate, and interest will begin to accrue on the outstanding principal of the loan. If a loan becomes delinquent in payments after the interest rate is reduced to zero percent, there is no way to reinstate eligibility for the Michigan Students First program.

**17. What is the definition of “on time”?**

On time, whether in the first 36 months of repayment or after the interest rate has been reduced to zero percent, is defined as within 15 days of the payment due date. A payment received on the 16<sup>th</sup> day after the payment due date would be considered late.

**18. If I no longer qualify for the Michigan Students First program, does it affect the loan origination fee reimbursement already credited to my loan?**

No. Once your loan has been credited for the loan origination fee, this borrower benefit will not be rescinded regardless of why your loan no longer qualifies for the Michigan Students First program. This includes failure to make 36 months of on-time payments, delinquency after receiving the zero percent interest, and inclusion in a Federal Consolidation Loan.

**19. If my loan becomes delinquent and the interest rate is raised from zero percent to the current statutory rate, when does interest begin to accrue?**

Interest begins to accrue as of the date of the delinquent payment, and will continue to accrue from that date forward. The Michigan Students First program does not go back and recalculate interest at the statutory rate for the period when payments on your loan were current.

**20. What will happen if I have more than one loan that qualifies for Michigan Students First and become delinquent on one of the loans?**

Michigan Students First eligibility is per loan, and each eligible loan is individually tracked on the servicing system. Therefore, the one loan that became delinquent in payments would lose eligibility for Michigan Students First, but this would in no way affect the other eligible loans.

Also, if you have more than one loan that lost eligibility during the first 36 months of payments and include only some of the loans on a deferment or forbearance that covers the delinquent period, only the loans which were included on the deferment or forbearance will regain eligibility for Michigan Students First.

**21. How do deferments or forbearances affect the Michigan Students First program?**

Deferments or forbearances affect the Michigan Students First program as follows:

- Periods of deferment or forbearance do not count toward the 36 months of on-time payments.
- A deferment or forbearance **can** be used to cover a delinquent period that occurs during the 36 months of on-time payments, making the loan again eligible for the Michigan Students First program.

- A deferment or forbearance that is used to cover a delinquent period that occurs **after** the interest rate is reduced to zero percent will not reinstate eligibility for the Michigan Students First program.

## **22. Can I consolidate my Michigan Students First loans?**

Yes, however, Federal Consolidation Loans do not qualify for MHESLA's Michigan Students First borrower benefit program. Therefore, borrowers that include their Federal Stafford and/or PLUS Loans that qualify for Michigan Students First in a Federal Consolidation Loan will lose the zero percent interest rate benefit. In addition, the statutory interest rate, and not the zero percent interest rate, will be used to calculate the consolidation loan interest rate.